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TAGS: [EAID](#) [KMCA](#) [PREL](#) [ECON](#) [SG](#)
SUBJECT: REACTION TO MCC DECISION AND JAFZA DEAL: QUESTIONS FROM
THE OPPOSITION, DISAPPOINTMENT FROM THE POPULATION, CONCERN ABOUT
WHAT'S NEXT

REF: DAKAR 1276

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SUMMARY

1. (U) The Millennium Challenge Corporation's (MCC) decision to withdraw from the "Diamniadio" industrial platform project (reftel) has opened the door for Senegal's opposition politicians and press to challenge President Abdoulaye Wade's administration on governance, public finances, and commitment to poverty reduction. It has also brought anxiety and disappointment to Diamniadio's population and locally elected officials. Cheikh Bamba Dieye, a newly elected member of the National Assembly and advocate of the Diamniadio residents, the NGO umbrella group CONGAD, and opposition leaders have loudly condemned the decision and called for a public debate to clarify why the GOS chose Jafza international's Special Economic Zone proposal over the country's MCC compact proposal. A joint U.S.-GOS statement on the decision released on June 27 was widely covered by the local press. Most public criticism has been directed at the GOS, with local media scrutinizing the terms of reference under the GOS-Jafza agreement, with more questions likely to be raised in the coming weeks. The MCC's continued interest in completing a compact with Senegal, however, has also been noted. End summary.

PUBLIC REACTION: NO ECONOMIC ZONE, WE WANT OUR PLATFORM IN
DIAMNIADIO

2. (U) The joint statement issued on June 27 to explain the MCC's withdrawal from the Diamniadio Industrial Platform project has created a state of concern and mistrust between the Diamniadio-area population and the GOS. The local population has expressed disappointment at losing the Platform project and its attendant projections of infrastructure development and employment. Local leaders and groups have publicly challenged the GOS's credibility and leadership to have "removed" the Diamniadio project in favor of Dubai-based Jafza International's proposal to establish Special Economic Zones (SEZ) in Senegal. The population's frustration and anger were widely reported by local press. One resident stated, "We have lost job opportunities for youth and wealth creation for our population." Others questioned "why the GOS is preferring Jafza's loan to MCC's grant?" During a large demonstration on the street of Diamniadio on July 4, the residents chanted "No more Jafza, we want our platform from MCC."

3. (U) On July 2, the civil society group CONGAD, an umbrella of NGOs, sent a letter along with a petition signed by locally elected officials from the department of Rufisque (15 kms from Diamniadio) to the Ambassador to invite MCC to step back from its decision and to "pursue effort in implementing the platform project." On July 6, CONGAD also held a press conference to condemn the U.S.-GOS joint statement and called the GOS's attitude "a failure."

4. (U) On the political side, Cheikh Bamba Dieye, a new opposition member of the Parliament and strong advocate of the Diamniadio Platform, criticized publicly, and in the National Assembly, the GOS actions that caused the MCC to withdraw from the Platform project. He also criticized the lack of transparency in the Jafza agreement. Following regular parliamentary procedures, Dieye tabled on July 9 an oral question on the GOS-Jafza deal. However, without his knowledge the question was subsequently removed from the list of items to be discussed. Dieye told reporters, "I am scandalized by the PDS-controlled Parliament's attitude. This demonstrates our authorities' lack of transparency and good governance."

5. (U) Dieye has stated he will "petition the U.S. government to reconsider its decision, claiming that "the Diamniadio platform is a partnership between the U.S. tax payers and the Senegalese population, and both the GOS and MCC are only intermediaries and facilitators." Dieye told EconCouns "I am willing to pursue my fight in the U.S. Congress to have MCC return back to Diamniadio. He added that MCC's withdrawal will cause "damage" to Senegal's rural population because of the importance of the project in alleviating poverty. Dieye, who was not a Deputy on February 6 when the National Assembly approved the law establishing special economic zones on behalf of Jafza, claimed that it was approved "under strong pressure from GOS," and added that "even the MPs who approved the project could not remember the content of the project." [Note: it has since been reported in the press that the law was passed while only 16 of 120 Deputies were present. End note.] Omar Sarr, spokesman of Rewmi, former Prime Minister Idrissa Seck's party, has

also weighed in, stating that he was "not surprised by MCC's decision" and said the Jafza deal would turn out to be "the scandal of the century."

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MEDIA REACTION

16. (SBU) The opposition-oriented newspaper Sud Quotidien, in particular, has continued to pursue this story. In a recent edition it published a long history of the Diamniadio Platform project, highlighting its economic benefits and the important due diligence carried out by the MCC and the Senegalese implementing agency, AMPMD, during the project's first phase. Sud Quotidien expressed concern about the secretive nature of the GOS' negotiations with Jafza and the quiet legislative maneuvering that created the special conditions for Jafza's proposed project. The paper's editor claimed that the National Assembly was officially on recess at the time the law was passed. The same edition also speculated that the agreement with Jafza hinged on the government's ability to "turn the MCC project over to" the Dubai-based company, and not follow MCC requirements for a fair and open public tender for the operator of the Platform.

STILL TO COME

17. (SBU) The law authorizing Jafza to establish the special economic zone is based on a feasibility study that offers extremely generous concessions to the Dubai Ports World subsidiary. Sud Quotidien and Deputy Dieye have begun to expose and ask questions about the deal. Should a final agreement be signed under these terms, Jafza would apparently:

- be offered an initial designation of 10,000 hectares for the Special Economic Zone, even though the feasibility study notes the near-term demand requiring the development of only 260 ha;

- be the sole entity authorized to run special economic or free trade zones (under a very liberal definition) in Senegal;

- be granted authority via Presidential decree to expand or establish a special zone in any location; and

- hold the authority within those zones to act on behalf of the Prime Minister or any other minister.

COMMENT

18. (SBU) MCC's decision to withdraw from the Diamniadio platform does present a significant lost opportunity for economic development and jobs for the 20,000-plus residents of the Diamniadio area. Even though there have been public rallies by that population for the MCC's return, the public blame for the end of the Diamniadio project has fallen squarely on the GOS for its unwillingness to follow strict MCC standards of transparency and accountability. While some commentators have doubted the MCC's intentions to ever sign a compact with Senegal, this event seems to have recharged the press and some members of civil society to hold the GOS accountable for its deal-making. We expect that the GOS will answer Dieye's "oral question" in the near future and work hard to get in front of this brewing controversy. However, with Sud Quotidien beginning to dig up the incredibly favorable (read: irresponsible) terms of reference offered to Jafza to secure this agreement, this case may, in the end, shine some much needed light on the special and exclusive deals inked by the GOS over the past few months, including the contracts for a new international airport, mining rights to the country's iron reserves, management of the Port of Dakar container business, and much of the mega-projects ("grands travaux") underway in preparation for the proposed March 2008 Organization of the Islamic Conference Summit in Dakar. While the MCC has already begun its discussions on possibly participating in Senegal's toll road project, it's anybody's guess if Jafza will still make a major investment in Senegal without the possibility of jumping on the Platform.

19. (U) Visit Embassy Dakar's Intranet site at: <http://dakar.state.gov/htdocs/section/econSection.aspx> and Embassy Dakar's SIPRNET Web site at <http://www.state.gov/p/af/dakar>

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